

For the first time in many years, Germany is experiencing some economic problems. The cost of reunification has proven to be a heavy burden on the German economy, with net public transfers of more than 140 billion deutchmarks annually, increased inflation and public disenchantment expressed in recent strikes. It is now generally recognized that the costs of reunification were under estimated and that it will be a long and very costly undertaking.

Despite these problems, the Germans we met in Europe expressed confidence in the future, and a strong commitment to the building of Europe. Since the Community's inception, Germany and France have been the driving forces behind the EC. Following German reunification, a number of observers questioned whether the country's commitment to the European Community would remain strong. There were suggestions that Germany might withdraw in order to concentrate on domestic problems. Others expressed the fear that the country would adopt a policy of eastern expansionism, at the expense of its traditional policy focused on the Community.

Today, these fears have largely been dispelled. Although financial constraints make Germany more reluctant to contribute to the EC budget, the Maastricht Summit demonstrated Germany's desire to achieve economic and monetary union. It also confirmed Germany's desire to move as quickly as possible towards political union. Our meetings in Bonn merely confirmed the fact that Germany remains strongly committed to European integration.

Far from detracting from its role in the EC, German unification has caused the country to become more self-assertive. For example, the country's diplomats were recently successful in convincing the Community to recognize Slovenia and Croatia, a significant accomplishment. Monetary integration also gives Germany an opportunity to gain more influence over the conduct of Community policy.

For all these reasons, Canada must attend closely to its relations with Germany. Germany is Canada's fourth largest trading partner, after the United States, Japan and Great Britain. It accounts for approximately 2 per cent of our trade. Natural resources and semi-finished products account for our main exports to Germany. Pulpwood is far and away our leading export, making up 25 per cent of our total volume. However, finished products (airplanes, electrical and electronic products) account for a growing share of our exports (27 per cent of the total volume in 1991).

Germany is also the third largest foreign investor in Canada, after the United States and Great Britain. In 1989, German investments totalled \$3.8 billion. Canada, for its part, ranks eighth among countries that invest in Germany. In 1989, Canadian investments in Germany totalled \$792 million.

As a result of reunification (which will result in a strong increase in import requirements) and the implementation of a single market in the European Community, Germany will be one of the most promising markets for Canada. According to Ambassador Halstead, Germany should be our prime target for entry into the European market.

Germany does half the community's business with eastern Europe, and the integration of East Germany has produced an increased domestic demand in Germany for consumer and investment goods, resulting in a dramatic increase in German imports. (8:6)

Germany and Canada have good political relations. In order to forge even stronger ties, the two countries have increased the number of visits at the federal and provincial level, as well as the number of trade missions and parliamentary exchanges. In addition, Germany has always been one of the strongest supporter of Canadian interests in the EC.

- 10. The Sub-Committee sees Germany as the key player in the European Community and in the relations between Western and Eastern Europe. Canadian policy has to take this fact into account.**